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Turn to Streaming Media: Digital Transformation and Innovation of Disney

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Abstract: Disney, the venerable Hollywood media group, has been the most severely impacted by the COVID-19 pandemic. The pandemic has forced the company to reevaluate its operations and adapt to the new normal. One of the company's most significant moves in response to this challenge was the launch of Disney+, a streaming platform. The platform has quickly gained 100 million global subscribers and has proven to be a beacon of hope for Disney's business. Disney's restructuring around Disney+ has allowed the company to focus more on expanding its global market and improving its competitive advantage in the streaming market. The addition of U.S. traditional media groups such as Warner Media and Viacom in the streaming market has increased competition for Disney. However, with its strong performance with Disney+, Disney has employed to expand its global market to increase its investment in international streaming. This has allowed Disney to gain a stronger presence in key international markets and increase its exposure to a diverse audience. Additionally, Disney's focus on streaming platform assist has helped the company to optimize its operations and improve its competitive advantage. Disney's strong performance with Disney+ has given the company the confidence to stay competitive in the streaming market. With the uncertainty surrounding the future of the streaming market, it is clear that Disney's focus on innovation and expansion will continue to drive its success. The company's investment in international streaming and its commitment to streaming platform assist position it as a strong contender in the market.

Keywords: Disney, COVID-19, business mode, digital transformation

1. Introduction

The Walt Disney Company is one of the worst-hit media groups affected by the outbreak of COVID-19. Since September 2020, Disney has announced 28,000 layoffs as pandemic hammers its theme park. Also, California Disney has been forced to shut down, and the terrible situation limited the other Disney Parks' visitors, which were back in business. During the whole outbreak, due to the closure of cinemas, Disney's several blockbusters were forced to delay their release. Meantime, some of the film production was forced to suspend for people to keep a safe distance. In addition, Disney closed resorts and stores around the world, as a result, their major source of income has been cut down to cash.

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Disney launched a streaming channel called Disney+ (Disney Plus) in November 2019. Now it seems that this has been the key spotlight in the company's business models. Disney+ is a paid online streaming platform from The Walt Disney Company that includes Disney, Pixar, Marvel, Star Wars, and National Geographic. Since launching in November last year, it has expanded to several European countries including the UK, Germany, and Italy, and launched in India in April 2020. Despite various challenges faced during the COVID-19, Disney Plus's subscribers have grown rapidly and topped 100 million subscribers in the world within only 16 months. From Mulan to Wanda Vision, these wonderful films and series gained much support from users. The great achievement beat Disney's estimates, which former CEO Robert Iger said: "we would have expected to reach 60 to 90 million users all over the world in the first five years." [1].

Robert Iger returned to the frontline in February 2020, the abyss of the pandemic. Iger developed a plan to address its current crisis, including the restructuring of its business centered on streaming. At present, Disney is financially sound, which suggests the company will weather the storm. However, its experience with COVID-19 will fundamentally change the way business operates with a history of nearly 100 years. [2]

2. Digital Transformation

With the presence of streaming services that use an internet basis and can be accessed on various types of platforms (Smart TV, Computer, Tablets, and smartphones) and anywhere and anytime provides an experience for every loyal customer who enjoys streaming services for activity and entertainment. [3] In November 2019, Disney+ launched in the US, Canada, Australia, and New Zealand, and expanded to Europe, India, and other regions in 2020. The streaming platform offers users access to movies such as Disney, Pixar, Marvel, and Star Wars, as well as hit series such as the Mandalorian and Wanda Vision.

In 2020, Disney+ became the most successful digital product of TWDC. It is also the first time that a traditional media group in the United States has ventured into the streaming market. Disney benefited from rapid growth in its streaming business and Disney's earnings beat estimates.

Relying on the rapid development of Disney+, Disney has largely weathered the pandemic, with the company's share price continuing to rise, investors focus more on the strong growth of its streaming products. Currently, Disney has nearly 150 million subscribers in all of its streaming services, including Disney+, Hulu, and ESPN+. Although most of Disney's streaming services are not profitable yet, compared with the last year, their losses have become much smaller. Revenue in Disney's Direct-to-Consumer & International Division (DCI) rose 73% to $3.5 billion while operating losses fell from $1.1 billion to $466 million. As predicted, Disney+, Hulu, and ESPN+ are expected to monetize by 2024.

Disney Plus's continued growth benefited from the debuts of blockbusters such as Mulan and Soul, as well as the Star Wars series The Mandalorian II, all of which drew strong ratings. In January 2021, the launch of Marvel's first TV series "Wanda Vision" stimulates more subscribers.

Disney is pouring money into original content to keep momentum on its streaming platform and retain existing subscribers. In December 2020, the company listed a production plan, about 105 films and TV series, 80% of which were for its direct-to-consumer streaming service, produced by its subdivisions, such as Star Wars, Marvel, Disney Animation, and Pixar Animation.

Currently, Disney+ offers one of the most affordable services available in the global streaming market, with a monthly subscription price lower than competitors HBO Max and Netflix. Lured by the huge interest of Disney+, the price in the US has been raised from $7 per month to $8 per month since March 2021. In December 2020, Disney significantly upped its expectations of Disney+, given its strong momentum in the first year: the company plans to reach 300 million or 350 million global subscribers under all of its streaming platforms by 2024.

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Moreover, Disney+ is also exploring how to broadcast Hollywood blockbusters on the platform. Disney executives walked through the new plan for Mulan's release during an earnings call with analysts. The $30 fee will be on top of the $6.99 subscriber fee for Disney+ customers to get early access to Mulan in the streaming service. They thought it was important to find alternative ways to bring Mulan in a timely manner," Disney CEO Bob Chapek said. In countries where Disney+ is not available, Disney is releasing Mulan in theaters on the same date. The premiere access window created on Disney+ for "Mulan" acts as a "fairly large stimulus" for new consumers to sign up for the streaming service. By December 2020, Mulan was available to all Disney+ members for free.

3. Restructuring of Disney Plus

As streaming subscribers grow, Walt Disney Company's business strategy also changed radically, the company launched a streaming-led core development plan to accelerate its digital transformation. At the same time, Disney made an ambitious plan of content production, many of which would be shown on Disney+. In its 2021 investment analysis report, Disney announced 10 new Marvel and Star Wars films, as well as 15 new Disney live-action films released on "Disney+". Disney also announced a series of new shows on Hulu.

The streaming strategy of Disney+ stands in sharp contrast to its rival HBO Max. Warner Bros., HBO Max's parent company, said all their 2021 movies would also be shown on HBO Max simultaneously when they first released in theaters. However, Disney, which accounts for 40 percent of the domestic box office, can't afford such a bold distribution strategy. Nothing can be set in stone when it comes to how we release films during this global health crisis. Bob Chapek, Disney's current CEO, pointed out that the company would try a brand-new business model, a co-distribution model of "premiere fee" and theaters, with some of its blockbusters shown on "Disney+."

Under the circumstance of the global health crisis, entertainment giants embrace streaming more quickly than most companies, leading some media giants to make a slew of personnel changes around streaming. Currently, Disney has transformed its strategic development plan, streaming as its "primary focus". At the same time, Disney is under pressure from investors to satisfy their claims, investing more in its streaming division, which by far is its strongest and the most reliable business.

In October 2020, focusing on streaming, Disney restructured its business. The restructured Disney would focus on creating original content for its streaming platforms (Disney+, Hulu, and ESPN+). The new Media and Entertainment Distribution division will be responsible for content distribution. The TV and film Content Production division is responsible for the original content. composed of three divisions, Studios, General Entertainment and Sports, while Disney's parks and resorts divisions remain unchanged. Beyond the usual marketing strategies, Disney's content brand has truly rallied users in such a short period. the previous accumulation of high-quality content helped the company break down streaming media channel barriers. Disney is neither a movie company, a culture company, nor a streaming company. It's a branding company. Content brands or that is to say IP, are the core assets of the company. Disney's business model duties are creating, exchanging, and operating IP.

In Iger's autobiography *The Ride of A Lifetime*, he mentioned Disney's future is based on three priorities: creating high-quality brand contents, which is the priority, embracing technology, and achieving global growth. The brand contents create a strong sense of identity, and Disney is essentially a content platform, just distributing through third parties. Li Jie, president of Alibaba Pictures, once exclaimed: "most of the film companies in the world, except for Disney, only have content IP but without brand." As Disney built a tangible city for this content, user viscosity in streaming was also quickly established.

According to the Nielsen latest data, Disney+ accounted for seven in the top 10 movies that users spent the most time on streaming media in 2020, topped by the well-known Disney animations Frozen II and Moana respectively. While Netflix has been investing in kids' content, it's still inferior to

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Disney. Disney's current strategy suggests that it is becoming more of a technology company than a traditional media company. For now, Disney's top priority is direct-to-consumer (DTC) streaming, which is the major driver of the company's restructuring and a strategy shift will ultimately add value to its company.

Disney's business restructuring and priority streaming strategy aim to focus more on creating content for Disney+ and other direct-to-consumer platforms. Disney's restructuring also attempted to change the status quo on content distribution, an issue that all of Hollywood's traditional media groups must face. Distribution via streaming optimizes the commercialization of content without considering too much about traditional distribution, and meantime it also offers people who are responsible for creating the infinite freedom to do what they do best -- produce the best content and stories as much as possible.

Disney shares rose 5% in trading as a direct result of its strategy to restructure its business in streaming, even in some cases shareholders called for Disney to redirect its $3 billion annual dividends to making streaming shows. By separating content production from distribution, the restructuring allows Disney to be more efficient and flexible in creating what consumers want most and delivering it with customers' preferred consumption patterns.

4. Disney's International Expansion

4.1. Drawing on Netflix's Experience

To achieve its long-term goals, Disney is taking a page out of Netflix's playbook by implementing strategic changes and aggressively making an international expansion.

Right now, Netflix already has more than 200 million subscribers worldwide, and this streaming group became a global giant to some extent by buying or producing international movies and TV shows. According to data provided by Ampere Analysis, 63% of Netflix's original TV shows are international programs. As Disney develops its streaming business outside the US, it will produce more local content for international customers. That is to say, Disney and Netflix will be more consistent in their international expansion strategies. To a certain extent, Netflix and Disney have already competed with each other, however, more often than not now they are facing the same market changes. Disney+ is still making much less money per user than Netflix, on account of its lower price.

Just over a year, Disney+ has reached nearly half the number of subscribers that Netflix has accumulated over the past decade. Disney was the first traditional media group to seize streaming services. Other media giants, such as Viacom, Comcast, Warner Media, and Discovery Channel, are trying to barrel into the market. Now Disney has 13 million European subscribers, while Netflix has 63 million. Following Netflix's international path, Disney+ has launched a series of European shows, with original content tailored to the local market. Based on the fact that streaming has become very much a part of daily life for audiences around the world and is gradually moving to the mainstream.

As Disney expands areas, it continues to surpass tradition, gradually increase the production of local speaking shows. By 2024, Disney will have produced 50 original local European programs. Disney's bet on non-English language programs reflects a profound shift in the European media market. Hollywood's big corporations have moved from authorizing content to competing directly with local media groups for audiences. In addition to producing original content in-house, brands also have to compete to seek out and acquire content providers they can offer exclusive rights to materials. For example, the Walt Disney Company recently partnered with Proximity Media to produce original content, including a series dedicated to the Kingdom of Wakanda made popular by the Black Panther (in 2018) movie [4], and has recently named two executives in charge of original content acquisitions [5]. These changes marked Disney+ has reached a new developmental stage.

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4.2. Launching New channels in the International Market

After the acquisition of 21st Century Fox, Disney has a vast portfolio of films and TV shows aimed at adults, including hits like Family Guy, Scandal, and Grey's Anatomy, as well as blockbusters like Deadpool and Die Hard. [6] Most of that content is currently available to U.S. audiences on Disney's other streaming platform, Hulu, but not to those outside the U.S. and Japan. Starting in February 2021, Disney+ users outside the US would be able to watch a new channel called Star, which would focus on Disney's adult programs.

Star is the seventh streaming channel launched by Disney+, as Disney tries to build it into a more competitive streaming platform in international markets. Star distributes all of Disney's films and TV shows from ABC, FX Networks, and 21st Century Fox to Disney+ subscribers outside the United States. Moreover, Disney also plans to launch an independent streaming service in Latin America called Star Plus. Currently, the function of Disney's streaming channels is that Hulu will continue to provide Disney's programs for U.S. adults, while Star will become a streaming entertainment brand for adults outside the U.S.

4.3. Taking Over the Indian Market

In February 2020, Iger announced the launch of Disney+ in India, the former chief executive of the world's largest entertainment media group hailed 2020 as the "right timing". When it comes to this strategy, he pointed out that "we see this as a great opportunity to enter the world's most populous country and fastest-growing economy." Also, according to the Indonesian market [7] bears a resemblance to the Indian market: its Internet users are growing, most users access the Internet via mobile phones and are price sensitive. Therefore, Disney may think that Hotstar knows full well how to run a business in a developing country. Disney Plus's first step in disrupting Netflix Indonesia is to provide a much cheaper subscription package. In India, Disney+ has entered the market mainly through its streaming channel Hotstar, which would begin broadcasting the Indian Premier League in 2020. Hotstar is an overseas asset acquired by Disney through its acquisition of 21st Century Fox.

Indian theaters haven't reopened as the COVID-19 floods. Disney has bought a series of blockbusters from cash-starved Bollywood studios to be shown in India's theaters. Growing incomes and the rapid spread of the Internet made India a big market. "The film industry is one of the hardest hit by COVID-19 and without streaming platforms, the whole industry would grind to a halt," said an Indian filmmaker.

This strategy could tip the balance in the Indian traditional film industry. Bollywood's development has been constrained by its reliance on a clique of producers, directors, and actors. One veteran Indian producer indicated that "great directors and producers create mostly mediocre scripts stuffed with stars because they all grew up together... We haven't grown rapidly as an industry because it's too chaotic." Hotstar's approach to streaming blockbusters offers a valuable opportunity for the struggling Indian film industry to survive.

5. Conclusion

Disney+ arrives just as streaming services are gaining traction and transforming the entertainment industry. Major streaming platforms experienced over 50% growth in subscribers from December 2019 to December 2020, providing a lifeline for media giants during the pandemic. Warner Media suffered significant losses due to cinema closures and launched HBO Max in May 2020 to tap into the streaming market. Similarly, Viacom restructured its streaming platforms and introduced Paramount+.

The shift towards streaming has led to tensions between studios, creators, and theaters. Warner Media's decision to simultaneously release 2021 films on HBO Max and in theaters raised concerns among theaters about reduced revenue. Disney and Viacom face a similar dilemma, as their current cash revenue is primarily derived from declining theaters and traditional TV business.

Streaming consumption has grown substantially, accounting for 20% of TV consumption among most Americans and nearly doubling since 2018. Younger consumers aged 18 to 34 are the most likely to subscribe to multiple streaming services and spend the most time streaming. Even the majority of people over 65 now subscribe to at least one streaming TV service, indicating a shift in TV consumption habits. Many US audiences subscribe to four or more streaming services and are willing to pay an average of $47 per month for streaming content.

Nowadays, what Disney+ does is all about retaining subscribers. Maybe more than 30 percent of consumers in all age groups are likely to cancel a streaming subscription after watching a show or series. Many companies have added free memberships in streaming subscriptions. For example, Disney allows users subscribe to Spotify's premium service for free. In addition, bundling is the next development strategy for streaming platforms. Disney offers bundled subscriptions to its three streaming platforms in the US (Disney+, Hulu, and ESPN+) for $14 a month. This greatly improves Disney's price superiority in the streaming market competition. The ongoing pandemic makes the media future far from certain, but what is more certain is that Disney is transforming into a full-fledged media company.

From an animation company to an internationally renowned media giant, Disney has sought for changes in the transformation practice spanning a century, and gradually explored a unique road of industrial operation. In the field of science and technology, Disney has the courage to be the pioneer, and has widely applied advanced technology to media practice. In terms of brand management, based on entertainment project, different IP image matrices such as animation, film, broadcast and record are derived. In the Internet business, Disney+ Streaming has created a vast repository of content and is facing a new wave of competition. At the same time, Disney also expanded its industrial scale through continuous investment and mergers and acquisitions. Disney has built up an overseas business strategies concerning internationalization and localization. Disney's share price has risen nearly fivefold over the past decade thanks to its steady growth, and now, with streaming platform assistance, Disney's future looks rosy.

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